

HOW SAN FRANCISCO COUNTY'S HOUSING MARKET IS FAILING TO MEET THE NEEDS OF LOW-INCOME FAMILIES

RECOMMENDATIONS TO THE LEADERS OF THE STATE OF CALIFORNIA AND SAN FRANCISCO COUNTY

San Francisco County has the eighth largest shortfall of homes affordable to low-income families in California. Many of those families live in unhealthy or unsafe conditions, crowd multiple people into each room, and still pay more than 50 percent of their income on rent. The following report describes the magnitude of the shortfall, highlights those who are affected by cuts to housing programs, and recommends local policy solutions to help mitigate the impact of San Francisco County's affordable housing crisis.

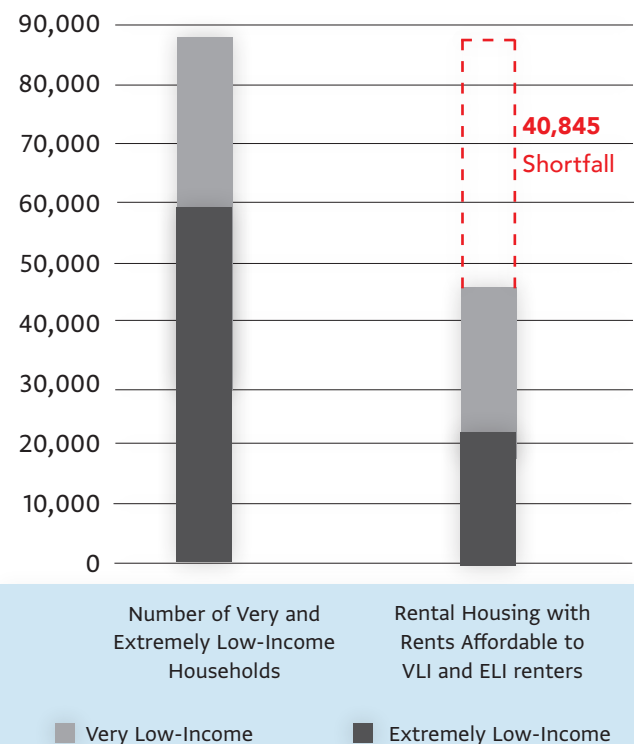
KEY ELEMENTS OF SAN FRANCISCO COUNTY'S AFFORDABLE HOUSING MARKET FAILURE:

- There is a **shortfall of 40,845 homes** affordable to San Francisco County's very low-income (VLI) and extremely low-income (ELI) households.
- **Median rents in San Francisco County increased by 22 percent between 2000 and 2012**, while the median income declined by more than 2 percent, significantly driving up the percentage of income that households must spend on rent.
- 59% of very low-income households spend **more than half their income on rent**.

81% of very low-income households in San Francisco County spend more than 30% of their income on rent.

SOURCE: NLIHC Analysis of 2012 American Community Survey PUMS data

FIGURE 1: SHORTFALL OF AFFORDABLE AND AVAILABLE HOMES IN SAN FRANCISCO COUNTY



SOURCE: CHPC Analysis of 2007-2011 CHAS data

THE HOUSING MARKET HAS FAILED TO MEET THE NEEDS OF AN ENTIRE SEGMENT OF SAN FRANCISCO COUNTY'S POPULATION

Rent is considered affordable when it consumes no more than 30 percent of household income. San Francisco County is home to 59,200 extremely low-income (ELI) renter households—those earning 30 percent or less of the metro area's median income. There are affordable homes for fewer than four out of ten of these ELI households.¹ Very low-income (VLI) households, those who earn up to half of the area's median income, fair only slightly better; there are homes with affordable rents for only half of the VLI households in the county.

More than 50 percent of ELI households are elderly or disabled, while VLI households are more likely to include low-wage workers.² In fact, there are 405,803 workers in the San Francisco metro area (which includes Marin and San Mateo) earning less than half the county's median income. TABLE 1 provides examples of those working adults who cannot afford a two-bedroom apartment.

While increasing the minimum wage would certainly help, the affordable housing shortfall cannot be offset by living-wage initiatives alone.

TABLE 1: WHO IS BEING LEFT OUT OF SAN FRANCISCO COUNTY'S HOUSING MARKET?

50% of HUD Area Median Income (AMI) in SF County for a 3-person household: \$49,950
Total workers earning < 50% AMI: 405,803

Salary needed to afford Fair Market Rent: \$78,240

JOB CATEGORY	MEDIAN INCOME IN SAN FRANCISCO COUNTY
School Social Worker	\$46,910
Pharmacy Tech	\$42,130
Receptionist	\$36,390
Teacher Assistant	\$31,850
Retail Salesperson	\$24,310
Waiter/Waitress	\$21,450

SOURCE: See Endnote 3

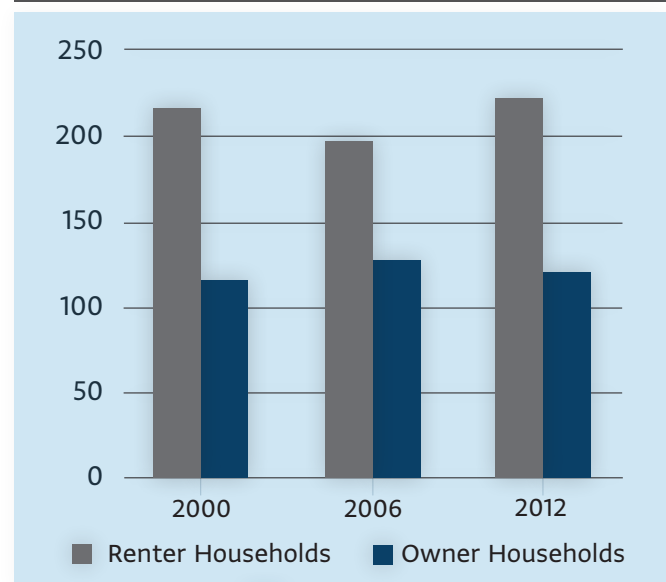
RENTS ARE HIGH AND RISING, ESPECIALLY IN RELATION TO STAGNANT OR DECLINING INCOMES

Rents in San Francisco County are high and have remained so in spite of the Great Recession. According to a 2014 report by the National Low Income Housing Coalition, San Francisco is the most expensive metropolitan rental market in the United States.⁴

After adjusting for inflation, median rents in San Francisco have increased 22 percent from 2000 to 2012, while median incomes have declined by 2 percent.⁵ FIGURE 3 shows the imbalance between the growth in median rents and the decline in median income since 2000.

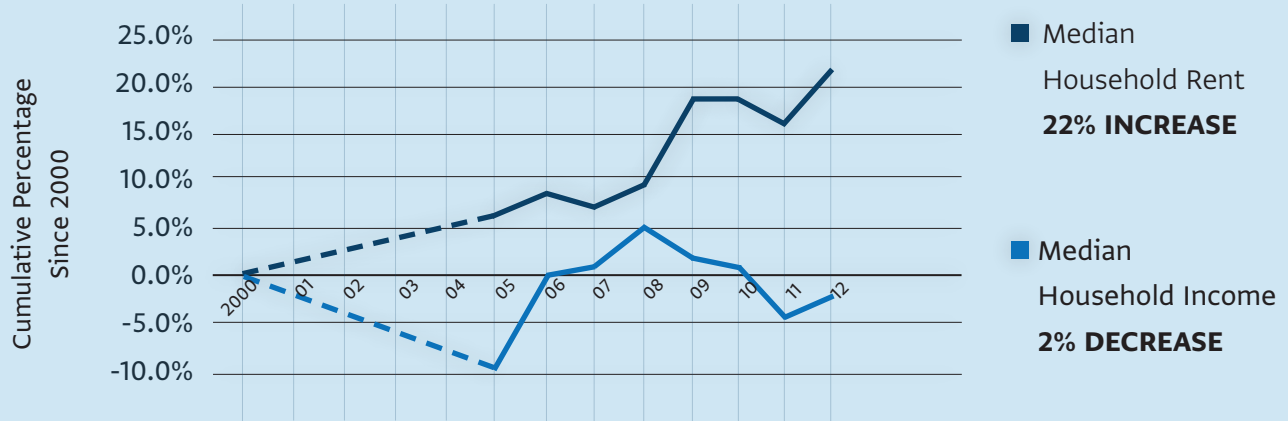
Rents increase in response to demand. More than 26,268 new renter households have entered the San Francisco market since 2006, representing a 13 percent jump in the rental market compared to an 8 percent increase in population overall.⁶ Unless more affordable rental homes are added to the housing stock, rents will likely continue to rise.

FIGURE 2: CHANGE IN OWNER AND RENTER HOUSEHOLDS (in thousands)



SOURCE: 2000 Census, 2006 1-year ACS, 2012 1-year ACS

FIGURE 3 : CUMULATIVE PERCENTAGE CHANGE IN INFLATION-ADJUSTED MEDIAN INCOME AND MEDIAN GROSS RENT PAID IN SAN FRANCISCO COUNTY 2000 TO 2012



SOURCES: US Census 2000 and American Community Survey 2005-2012. Median rents and incomes for 2001-2004 are estimated.

LOCAL, STATE, AND FEDERAL DISINVESTMENT IN AFFORDABLE HOUSING HAS EXACERBATED THE HOUSING MARKET'S FAILURE TO PROVIDE FOR LOW-INCOME FAMILIES

Even as San Francisco County's shortfall of affordable homes has become more acute, the state has reduced its direct funding for affordable housing dramatically. State Housing Bonds funded by Propositions 1C and 46 are exhausted, meaning the elimination of more than \$18 million in investment to provide homes to low- and moderate-income households in San Francisco. The elimination of Redevelopment funds led to a loss of nearly \$28 million annually in local

investment in the production and preservation of affordable homes in San Francisco County.

Exacerbating the state cuts is the simultaneous disinvestment in affordable housing by the federal government. Cuts to HOME and Community Development Block Grants (CDBG) have resulted in the loss of another \$7.5 million in annual funding.

TABLE 2 highlights the loss of state and federal funding for affordable homes in San Francisco since 2008.

69% DECREASE
in state and federal funding for affordable homes in San Francisco since 2008.

TABLE 2 : CHANGE IN SAN FRANCISCO COUNTY'S MAJOR AFFORDABLE HOUSING FUNDING SOURCES
FY 2007/08 TO 2012/13*

FUNDING SOURCES	FY 2007/2008	FY 2012/2013	% CHANGE
State Housing Bonds Prop. 46 and Prop. 1C*	\$21,062,463	\$3,000,000	-86%
Redevelopment Funds for Affordable Housing	\$27,733,773	\$0	-100%
Federal CDBG Funds	\$21,087,052	\$17,155,981	-19%
Federal HOME Funds	\$7,687,394	\$4,082,594	-47%
Total	\$77,570,682	\$24,238,575	-69%

SOURCES: CHPC tabulations of HCD's Annual Report of Financial Assistance Programs and Redevelopment Housing Activities Report.

*Prop. 46 and Prop. 1C spending for FY 2007/2008 and 2012/2013 provided by HCD.

RECOMMENDATIONS to the leaders of the State of California, San Francisco County, and local jurisdictions

If California is to rebuild a strong and diverse economy that includes low- and moderate-income households, our state must reinvest in affordable homes and develop responsive policy. Simply allowing a broken housing market to run its course is impoverishing and driving away our low-wage workforce, undermining our GHG-reduction goals, and forcing seniors, veterans, and people with disabilities into our shelters and emergency rooms, costing local governments five to ten times more in service costs.

STATEWIDE Policy Recommendations

1. Replace the exhausted state housing bonds (Propositions 46 and 1C) by:
 - Passing legislation to create a permanent source of funding at the state level for the production and preservation of affordable homes.
 - Continue investing at least \$100 million per year in general funds in existing state affordable housing programs.
2. Give local governments tools to replace lost funding and meet obligations to create and preserve affordable homes by:
 - Lowering the voter threshold required to pass infrastructure bonds for housing, transportation, and parks from two-thirds to 55 percent, the same as it is for school bonds.
 - Authorizing a new local Tax Increment Financing (TIF) program to fund investment in basic infrastructure including transportation, housing, and parks.
 - Permitting local jurisdictions to require that new housing developments include a percentage of homes affordable to low- and moderate-income households.
3. Continue to invest a minimum of 10 percent of Cap-and-Trade auction revenues in the production and preservation of affordable homes that help California meet its GHG reduction targets.⁷

LOCAL Policy Recommendations

1. Support Proposition K to establish that at least 33 percent of local housing production be affordable to low- and moderate-income households along with a funding plan.
2. Prioritize affordable housing development on publicly controlled properties.
3. Adopt a local density bonus for 100% affordable housing as well as market-rate developments with a significantly greater percentage of affordable homes than required by the Inclusionary Housing Ordinance.
4. Strengthen the new Small Sites Program for purchases of smaller apartment buildings as permanently affordable housing by: (1) adopting a tenants' right of first refusal to acquire their building working with a nonprofit organization and (2) increasing funding available for the Program.
5. Strengthen rent-control protections by adopting local policies to reduce evictions of low- and moderate-income households.
6. Adopt local regulations to address the negative impact of short-term rentals on the supply of rental housing.

For more information about local policy solutions, contact the SF Council of Community Housing Organizations:



www.sfccho.org

1 California Housing Partnership analysis of 2007-2011 CHAS data

2 National Low Income Housing Coalition. "America's Affordable Housing Shortage and How to End it." Housing Spotlight 3, no. 2, (2013) http://nlihc.org/sites/default/files/HS_3-1.pdf.

3 TABLE 1 Sources: CHPC Analysis of U.S. Department of Housing and Urban Development Section 8 Income Limits for 2014; 2012 Bureau of Labor Statistics Occupational Employment Statistics from San Francisco-San Mateo- Redwood City Metropolitan Division; National Low Income Housing Coalition. "Out of Reach," 2014, salary needed for FMR of a 2br apartment in San Francisco County.

4 National Low Income Housing Coalition. "Out of Reach," 2014.

5 California Housing Partnership analysis of 2007-2011 CHAS data

6 California Housing Partnership Analysis of 2006 1-year American Community Survey (ACS) and 2012 1-year ACS.

7 The California Housing Partnership has authored and co-authored several reports on the environmental and social benefits of locating affordable homes near transit. A list of reports can be found at <http://www.chpc.net/GREEN/Publications.html>.